

# Drug Fair

Merchandising Proposal  
R. J. Reynolds Tobacco Company

## Drug Fair Cigarette Merchandising Recommendation

Objective Maximize sales, promotions, and retail display allowances from both RJR and Philip Morris.

## Merchandising Proposal RJR/Philip Morris "Co-Existence"

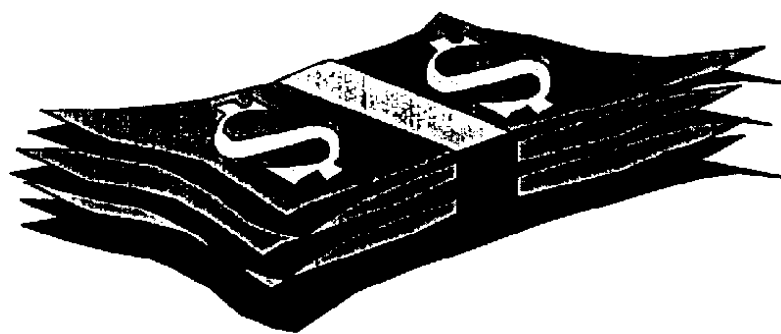
- Implement RJR Retail Partners Program
  - Non Self Service Level II
  - Retail Accrual Program
  - National Promotions
  - Retail Representative Implemented Price Reduction
- Implement Philip Morris Retail Masters Program
  - Non Self Service Level II
  - Flex Program

# Drug Fair Financial Implication

## Total Program Value (annual)

- \$ 33,000 RJR Contractual
- \$ 45,554 RJR Accrual,  
National Work Plan and  
Price Reduction
- \$ 32,400 PM Contractual
- \$ 10,800 PM Flex
- ??? PM National Promotions

\$ 121, 754



## Co-Existence Vs. Exclusivity Financial Comparison

PM Exclusivity

\$ 75,600

Co-Existence

\$ 121,754

### Notes:

- ① Includes Retail Display Allowances and Promotional Monies.
- ② Numbers based on 25 Drug Stores only.
- ③ Does not include Philip Morris National Promotion Monies for  
for Exclusivity or Co-Existence.

**1996 Retail Partners  
Proposed A**

Drug Fair

Pack Outlet

Non-Self Service

*Number of Stores: 25*  
*RJR Volume (Per Week / Per Store): 36*  
*Proposed Merchandising/Presence: Level 2*  
*Proposed Retail Accrual Program: Level 2*

	<b>Annual Dollars</b>		
	<b>Proposed (A)</b>	<b>+1 Volume Grid</b>	<b>-1 Volume Grid</b>
<b><u>Per Store</u></b>			
Merchandising / Presence Program	\$1,320	\$1,440	\$1,200
Retail Accrual Program (No Match)	\$408	\$480	\$336
WorkPlan	\$500	\$500	\$500
Discounting			
Full Price	\$498	\$636	\$429
Savings	\$328	\$419	\$282
<b>Value of Partnership (Per Store)</b>	<b>\$3,053</b>	<b>\$3,474</b>	<b>\$2,747</b>
<b><u>Total All Stores</u></b>			
Merchandising / Presence Program	\$33,000	\$36,000	\$30,000
Retail Accrual Program (No Match)	\$10,200	\$12,000	\$8,400
WorkPlan	\$12,500	\$12,500	\$12,500
Discounting			
Full Price	\$12,441	\$15,897	\$10,713
Savings	\$8,190	\$10,465	\$7,053
<b>Total Value of Partnership</b>	<b>\$76,331</b>	<b>\$86,862</b>	<b>\$68,666</b>
<b>RJR Cents / Per Carton</b>	<b>\$1.63</b>		

Payment calculations are estimates only and are based upon assumed volumes and market shares.

12/4/95

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